

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 L-02 EUR-12 SS-15 IO-10 H-01

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R 191206Z FEB 75

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 4642

C O N F I D E N T I A L RABAT 0895

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E.O. 11652: GDS

TAGS: ETRD MO

SUBJECT: TRADE ACT OF 1974 - GSP

REF: A. STATE 028219

B. STATE 26161

C. STATE 282967

1. SUMMARY. RE PARA 3 REF A, WE SEE NO REALISTIC POSSIBILITY THAT GOM WOULD RENOUNCE DESIGNATION AS BDC. AS DETAILED BELOW, HOWEVER, WE BELIEVE EARLY APPROACH TO AMBASSADOR BOUTALEB IN WASHINGTON WOULD BE USEFUL MEANS TO LEVERAGE GOM AGREEMENT ON ESSO PROBLEM AND EXPEDITE LAND SETTLEMENTS, WHILE PROVIDING OCCASION TO SEEK WRITTEN REQUEST FOR DESIGNATION OF GOM AS BDC. END SUMMARY.

2. AS WE READ TRADE ACT, THERE ARE AT PRESENT NO BARS TO DESIGNATION OF GOM AS BDC (REF B, PARA 4). HOLIDAY INN CASE IS CURRENTLY IN ARBITRATION. ESSO CASE IS STILL IN NEGOTIATING STAGE--AND WHILE PROGRESS HAS BEEN LIMITED, BREAKDOWN HAS NOT OCCURRED. LAND MOROCCANIZATION SETTLEMENTS HAVE BEEN INORDINATELY DELAYED, BUT IS DUE TO GOM PREFERENCE TO SETTLE BIG FRENCH, SPANISH, AND ITALIAN CLAIMS FIRST TO AVOID ESTABLISHING POSSIBLY TROUBLESOME PRECEDENTS IN DOZENS OF SMALL CASES. FRENCH SETTLEMENT HOW ACCOMPLISHED AND PROGRESS SHOULD BEGIN TO BE MADE ON OTHER  
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CASES. BUT THIS A PROBLEM OF BUREAUCRATICS, NOT BAD FAITH.

3. NEVERTHELESS, ESSO CASE REMAINS TROUBLESOME ELEMENT IN OVERALL INVESTMENT CLIMATE AND COULD POTENTIALLY CREATE BILATERAL PROBLEM UNDER SEC 502(B)(4) OF TRADE ACT OF 1974. WE WOULD LIKE TO SEE IT SETTLED. EMBASSY WORKED EVERY LEVER AT THIS END TO OBTAIN MOBIL AND TEXACO SETTLEMENTS AND DOUBTFUL RE EFFECTS OF FURTHER INTERVENTION. AT TIME WHEN WE HAVE BEEN MAKING ACTIVE CALLS ON GOM FOR WIDE VARIETY OF PURPOSES, APPROACH AT THIS END WOULD BE UNLIKELY TO ADVANCE ESSO INTERESTS AND COULD BE INTERPRETED AS MEDDLESOME. ON OTHER HAND, AMBASSADOR BOUTALEB HAPPENS TO BE FULLY BRIEFED ON DETAILS OIL MOROCCANIZATION. WERE HE CALLED IN FOR BRIEF COURTESY EXPLANATION OF TRADE ACT WE BELIEVE HE WOULD (A) BE ABLE TO OBTAIN WRITTEN GOM REQUEST FOR BDC DESIGNATION AND (B) INFORM HIS GOVERNMENT OF POTENTIAL LOSS OF TRADE BENEFITS IF ESSO CASE NOT RESOLVED. AFTER INITIAL RELUCTANCE, ESSO NOW PUTTING FORWARD SOME REASONABLY FLEXIBLE AND INNOVATIVE PROPOSALS, AND WE BELIEVE SMALL MOVEMENT ON PART GOM COULD CREATE CONDITIONS FOR SETTLEMENT. FYI: UP-TO-DATE ESSO STATUS REPORT SHOULD REACH YOU ABOUT SAME TIME AS THIS MESSAGE TO SERVE AS BACKGROUND FOR SUCH DISCUSSION. END FYI.

4. WHILE LAND SETTLEMENTS WILL EVENTUALLY BE REACHED, AND THUS CONSTITUTE NO IMPEDIMENT TO BDC STATUS, WE HAVE BEEN WAITING APPROPRIATE MOMENT TO NUDGE GOM ON THIS ISSUE. BELIEVE DISCUSSION WITH AMBASSADOR BOUTALEB WOULD CONSTITUTE APPROPRIATE MOVEMENT FOR LOW KEY REMINDER THAT UNTIL RESOLVED, THESE TOO COULD COMPLICATE BILATERAL ECONOMIC RELATIONS.

5. WITH RESPECT POTENTIAL PROBLEM GOM MEMBERSHIP IN PHOSPHATE PRODUCER'S GROUP (SEC 502(B)(2)), WE HAVE PROVIDED SECSTATE MINFIN, SECSTATE DEVELOPMENT PLAN, AND CHIEF ECONOMIC AFFAIRS DIVISION FONOFF COPIES OF RELEVANT PORTIONS TRADE ACT AND HAVE RECEIVED ASSURANCES THAT GOM WILL NOT PERMIT PROMOTIONAL ASSOCIATION TO TURN INTO MARKETING CARTEL. THESE ASSURANCES REPEATED TO IPU CODEL BY PRIME MINISTER (SEE RABAT 0889, PARAS 5 AND 6). WE ACCEPT THESE ASSURANCES, THOUGH SITUATION WILL BEAR WATCHING AS WITH OTHER RAW MATERIALS GROUPS. NEUMANN

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## Message Attributes

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